

STRIDES SHASUN LIMITED

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF STRIDES SHASUN LIMITED (“COMPANY”) IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013, AT ITS MEETING HELD ON AUGUST 11, 2017

1. The Board of Directors (“**Board**”) of the Company at their meeting held on March 20, 2017 approved a draft of the proposed composite scheme of arrangement amongst SeQuent Scientific Limited (“**SeQuent**”), Solara Active Pharma Sciences Limited (“**Solara**”, formerly SSL Pharma Sciences Limited), and the Company and their respective shareholders and creditors (“**Scheme**”), which would involve transfer by way of demerger of (i) the commodity active pharmaceutical ingredients business of the Company (“**Commodity API Business**” or “**Demerged Undertaking 1**”) to Solara in consideration for issuance of shares by Solara to the shareholders of the Company; and (ii) human active pharmaceutical ingredients business of SeQuent (“**Human API Business**” or “**Demerged Undertaking 2**”) to Solara in consideration for issuance of shares by Solara to the shareholders of SeQuent, pursuant to provisions of Sections 230-232 and other applicable provisions of the Companies Act, 2013 (including those of the Companies Act, 1956 that continue to remain in force), as applicable. The Scheme was approved by the Audit Committee of the Company at its meeting held on March 20, 2017.
2. As per Section 232(2)(c) of the Companies Act, 2013, a report is required to be adopted by the directors explaining effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders of the Company laying out in particular the share exchange ratio, specifying any special valuation difficulties (“**Report**”).
3. Having regard to the applicability of the aforesaid provision, the Scheme and the following documents are placed before the Board:
 - (i) **Joint Valuation Report** dated March 20, 2017 issued by S.R. Batliboi & Co. LLP, Chartered Accountants (appointed by the Company) and Price Waterhouse & Co., LLP, Chartered Accountants (appointed by SeQuent), supplemented by the letters dated April 17, 2017 and June 21, 2017 issued by S.R. Batliboi & Co. LLP, Chartered Accountants describing inter alia the methodology adopted by them in arriving at the valuation of the Commodity API Business and including the share entitlement ratio and setting out details of computation of fair share entitlement ratios for the proposed demerger of Commodity API Business of the Company and Human API Business of SeQuent into Solara (collectively, the “**Valuation Report**”);
 - (ii) **Fairness Opinion Report** dated March 20, 2017 issued by Axis Capital Ltd., a SEBI Registered Merchant Banker, providing its opinion on the fairness of the valuation of the Commodity API Business as recommended by S. R. Batliboi & Co., LLP;
 - (iii) **Statutory Auditors’ Certificate** dated April 26, 2017 issued by Deloitte Haskins & Sells, the statutory auditors of the Company as required under Section 232(3) of the Companies Act, 2013 certifying that the accounting treatment in the draft Scheme is in accordance with the accounting standards and applicable law; and
 - (iv) A copy of **Audit Committee Report** dated March 20, 2017 in terms of the requirement of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India.

4. Rationale of the Scheme

- (i) The Commodity API Business and Human API Business, being “B2B” businesses, require a differentiated strategy and direction to grow and deliver value.
 - (ii) Segregation of the Commodity API Business from the other core “B2C” businesses of the Company will allow concentrated focus by Solara management on the Commodity API Business and the Company’s management on its other core B2C businesses.
 - (iii) Segregation of the Human API Business from the animal healthcare business of SeQuent will allow concentrated focus by Solara management on the Human API Business and SeQuent management on the animal healthcare business.
 - (iv) The unbundling of Commodity API Business and Human API Business and consolidation into Solara will create an active pharmaceutical ingredients company in India with critical size, and is expected to unlock value by enabling the business activities to be carried out with greater focus and specialization for sustained growth.
 - (v) The demergers are expected to enhance shareholder value for shareholders of both the Company and SeQuent.
 - (vi) The Scheme is expected to be in the best interests of the shareholders, employees and the creditors of each of the Company, SeQuent and Solara.
5. Effect of Scheme on stakeholders

S. No	Category of Stakeholder	Effect of the Scheme on Stakeholders
(i)	Shareholders	The Company only has equity shareholders and does not have any preference shareholders. Upon the Scheme becoming effective and in consideration of vesting of the Demerged Undertaking 1 of the Company in Solara in terms of this Scheme, Solara shall allot equity shares, credited as fully paid-up, to the members of the Company, holding fully paid up equity shares in the Company and whose names appear in the register of members of the Company on a specific record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date in the following manner: “1 (one) fully paid up equity share of Rs. 10 (Rupees Ten only) each of Solara shall be issued and allotted for every 6 (six) fully paid up equity shares of Rs. 10 (Rupees Ten only) each held in the Company.” (the “ Share Entitlement Ratio ”)

S. No	Category of Stakeholder	Effect of the Scheme on Stakeholders
		<p>The shares allotted to shareholders of the Company shall rank pari passu in all respects with the then existing equity shares of Solara.</p> <p>The Scheme is expected to have several benefits for the Company, as indicated in the rationale to the Scheme, as set out above and is expected to be in the best interests of the shareholders of the Company.</p>
(ii)	Promoters	<p>Like all the shareholders of the Company, the promoters of the Company (including SeQuent) shall be allotted shares of Solara in accordance with the Share Entitlement Ratio set out in the Scheme.</p> <p>Please refer to point (i) above for details regarding effect on the shareholders.</p>
(iii)	Non-Promoter Shareholders	<p>Please refer to point (i) above for details regarding effect on the shareholders.</p>
(iv)	Key Managerial Personnel (“KMPs”)	<p>The KMPs of the Company shall continue as key managerial personnel of the Company after effectiveness of the Scheme.</p> <p>Such KMPs who are shareholders of the Company will be allotted shares of Solara, like the other shareholders of the Company. Please refer to point (i) above for details regarding effect on the shareholders.</p> <p>Other than such allotment of shares, the KMPs are not affected pursuant to the Scheme.</p>

6. Valuation

- (i) For the purpose of arriving at the Share Entitlement Ratio, the Valuation Report was obtained in terms of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India, circular no. LIST/COMP/02/2017-18 dated May 29, 2017 issued by BSE Limited and circular no. NSE/CML/2017/12 dated June 1, 2017 issued by the National Stock Exchange of India Limited.

- (ii) S. R. Batliboi & Co., LLP and Price Waterhouse & Co LLP have not expressed any difficulty while carrying out the valuation.

The Valuers have considered Comparable Companies Quoted Multiples Method (CCM), Discounted Cash Flows Method (DCF) and Net Asset Value Method (NAV) for determining the relative value of the businesses in order to arrive at the share entitlement ratios for the transaction which have been considered in the present case.

However, considering the nature of Transaction, the Valuers are of the opinion that NAV Method is of limited relevance and have based their valuation on CCM and DCF methods, by assigning appropriate weightages.

The share entitlement ratios have been arrived at on the basis of a relative equity valuation of the businesses based on the methodologies explained in the Valuation Report and various qualitative factors relevant to each business.

- (iii) The recommendation of the share entitlement ratio has been approved by the Board of the Company, Audit Committee of the Company, board of directors of SeQuent, audit committee of SeQuent and board of directors of Solara. The Scheme provides that upon the Scheme becoming effective and in consideration of vesting of the Demerged Undertaking 1 of the Company in Solara in terms of the Scheme, Solara shall allot equity shares, credited as fully paid-up, to the members of the Company, holding fully paid up equity shares in the Company and whose names appear in the register of members of the Company on the relevant record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date in the following manner:

“1 (one) fully paid up equity share of Rs. 10 (Rupees Ten only) each of Solara shall be issued and allotted for every 6 (six) fully paid up equity shares of Rs. 10 (Rupees Ten only) each held in the Company.”

7. Adoption of the Report by the Directors

The directors of the Company have adopted this Report after noting and considering the information set forth in this Report. The Board or any duly authorised committee by the Board is entitled to make relevant modifications to this Report, if required, and such modifications or amendments shall be deemed to form part of this Report.

Sd/-

Date: August 11, 2017
Place: Bangalore

Badree Komandur
Executive Director - Finance